be discussed in the order in which they have been printed in the statement which has been furnished to you. Three days out of the seven may be taken up by Land Revenue, Education and Public Works, each of these demands being given not more than one day. The remaining demands will have to be dealt with before the close of the seventh day, and not more than half a day can be allotted to any one demand. At the end of the time allotted for the discussion of each demand, all pending motions in respect of that demand will automatically lapse; and at 5 o'clock on the evening of the last of the allotted days, every question necessary for the disposal of all the outstanding matters in connection with the demands for grants will be put under Rule 49 (3).

Each member other than the Financial Secretary will be allowed during the general discussion stage not more than twenty minutes. When voting on the demands for grants, every mover and the official member who has the right of reply will be allowed ten minutes each and the other members five minutes each.

Standing order No. 56 requires notice of every motion for the reduction or omission of a grant to be given to the Secretary to the Council five clear days before the day on which the demand comes up for consideration. I would, in this connection, repeat the request I made to the non-official members last year to kindly specify the item in respect of which they make a motion, quote the page of the *Preliminary Budget* in which that item is found, and also indicate in a general manner the grounds on which they base their proposal for reduction or omission. So far, as regards the budget for 1099.

With a view to expedite the publication of the Council Proceedings, some arrangements have been made provisionally. Members are no doubt aware that printed copies of the proceedings of one meeting are ready only just before the next meeting comes round; but they can hardly realise that even this result is now achieved only by a considerable effort on the part of the Legislative Section and the Press staff. Provisionally, the number of shorthand reporters has been raised from four to six, a full-time Malayalam shorthand reporter has been appointed, and special arrangements have been made to edit the speeches and prepare the copies for the Press. It is hoped that it will be possible to send the copies of speeches to the Press on the morning of the next day after each meeting and to place in the hands of members a preliminary edition of them on the day following. Members will be given four days' time to revise their speeches. If no corrections are received within the above period, the proceedings will be finally struck off. I trust that the members would kindly co-operate with the Secretary in this matter.

FINANCIAL STATEMENT.

MR K. GEORGE (*Financial Secretary*): Sir, I rise to present the Financial Statement for 1099. I would in the first place refer to the new procedure in the preparation of the budget that was adopted

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this year. As the members are aware, the budget estimates this year had to be examined by the Standing Finance Committee of the Council before they could be embodied in the *Preliminary Budget*. In order to enable the Finance Committee to scrutinise the estimates under votable heads fully and effectively, Government had them prepared in two parts. The first part contained the estimates of revenue and of all items of ordinary expenditure essential for the carrying on of the administration according to existing sanctions in all their details. In other words, Part I consisted of a copy of the printed budget with the estimated figures under all the headings. All new schemes and items of expenditure requiring new sanctions were embodied in Part II. The necessity, importance and urgency of the schemes were fully explained, and, as far as possible, they were worked out in detail, showing their estimated cost, both initial and recurring. Both the parts of the budget were carefully and exhaustively scrutinised by the Finance Committee, whose labours extended over seven days; and, wherever necessary, the committee was also given opportunity for discussing the proposals with heads of departments. Sir, it is a criticism commonly levelled against all budget-makers that by some mysterious sleight of hand they disguise rather than disclose the real state of a country's finance and that budgets as a rule serve only to bewilder and confuse the unwary public. No such charge can be brought against the Government this year, as we placed the entire budget (except only those few heads which are fully non-votable) before the Finance Committee and the committee was given the fullest opportunity to examine and freely discuss every provision contained in it. Thus the budget that I now present to the House is not a document mysteriously hatched in the secret recesses of the Government Secretariat, but is one in the production of which both the Government and the representatives of this Council jointly laboured. I therefore feel that I can justly claim a cordial reception to it at the hands of the members of the House.

In my speech last year, I gave a brief review of our financial position, and I expressed the view that our financial outlook was not a gloomy one. The lapse of another year has only confirmed me in this view. While the Imperial Government, all the Provincial Governments and several of the Indian States are experiencing serious financial difficulties consequent on the economic dislocation and depression of trade that followed in the wake of the Great War, and are compelled to impose additional burdens on the people to make their budgets balance, our State has so far, by its cautious and prudential policy, escaped the common fate of most other Governments and has been able to balance its budgets without having either to resort to new taxation or to make any considerable curtailments in its normal expenditure. On the contrary, members will remember how the Government have been able, without undue strain, to carry into effect recently a much-needed revision of the salaries of the subordinate services and also to embark on various new

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schemes of progress and expansion, particularly in the departments concerned with the moral and material development of the country, while in the budget of the coming year as many as 58 new items costing about Rs. 3½ lakhs have also been included. At the same time, we have exercised very strict economy in expenditure; we have continued the process of lopping off unnecessary appointments as opportunities offered themselves, and we are preventing waste wherever possible; we are abandoning extravagant designs in buildings and have diverted as much expenditure as possible from buildings to communications and other works of public utility; we are economising in the use of stationery both in quality and in quantity, and we are reducing expenditure under travelling allowances and contingencies. Though the outlook is thus not discouraging, I do not deny the fact that there is still trade depression and financial stringency in this country as elsewhere. The trade boom which followed on the Armistice was succeeded by a period of acute trade depression and the collapse of several business concerns; and the tightness of the money market has been further enhanced by the fall in the prices of the staple products of the country. There seems, however, to have been a partial improvement of trade conditions this year. The tea trade has distinctly improved, while the rubber industry shows some signs of reviving prosperity. Our customs returns indicate satisfactory activity in external trade. On the whole, though we cannot prognosticate any rapid improvement in financial conditions, we have, I think, good grounds for confidence that we have passed the period of acute depression and that more hopeful and prosperous times are in store for us.

I now pass on to the task of laying before the Council our estimates for the present and the coming year.

Revised Estimates of the Current Year.

The budget estimates of the current year as finally passed provided for a small surplus of about Rs. ¾ lakh, the revenue being estimated at Rs. 194½ lakhs and the expenditure at Rs. 193¾ lakhs. We now estimate that we shall receive Rs. 197 lakhs or an improvement of Rs. 2½ lakhs, and our expenditure is not expected to be more than Rs. 189¾ lakhs, which is Rs. 4 lakhs less than the budget estimate. In the result, the anticipated surplus is raised from Rs. ¾ lakh to Rs. 7¼ lakhs. The revenue would have been Rs. 4¾ lakhs less or only Rs. 192¼ lakhs but for the increased receipt under Salt brought in by the enhancement of the salt duty by the Government of India with effect from 1st March 1923. From this it might be thought that we would have had to close this year with a deficit of Rs. 1½ lakhs but for this windfall. That, however, would not correctly represent the real situation. As is pointed out in my memorandum which accompanies the budget estimates, the provision we made for salaries and establishment this year was Rs. 2¾ lakhs in excess of the actual requirements of the year, not to speak of further savings in the shape of some lapses and surrenders. These lapses and surrenders, it should, however, be mentioned, are not peculiar to this year, but are usual in some departments every year. At

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the same time, Government have not stinted expenditure in any department, as will be seen from the fact that they made additional grants to the extent of Rs. 1,54,700 under non-votable heads and added Rs. 67,500 under votable items with the sanction of the Council or, in other words, added Rs. 2,22,200 to the initially budgeted expenditure of the year. The sum of Rs. 1,60,000 that has just been sanctioned has been excluded from this. Thus, even excluding the increased receipts under Salt, we would have closed this year with an appreciable surplus.

Revenue.

I shall refer briefly to the more important variations between the estimates and the actuals. Under Land Revenue, we estimated a revenue of Rs. 44 lakhs; but we now expect to realise only Rs. 42¼ lakhs. The fall of nearly Rs. 2 lakhs is almost entirely under sale of Government lands. This is due to the fact that there has been less demand for *puduval* registry than was anticipated, partly on account of the scarcity of money and partly to the present policy of Government which is opposed to the registration of lands in large blocks in favour of single individuals. Though the immediate result of this policy has been a setback in the receipts from this source, it would, I believe, be admitted that it is to the ultimate advantage of the country to prevent the concentration of large areas of land in the hands of a few people. When economic conditions improve, we should be in a position to dispose of lands to the best advantage of both the Government and the people. I have already explained the increased receipts under Salt. Taking into account the normal expansion under this head due to increase in consumption, our revenue from salt duty would have been at least Rs. 14½ lakhs. The increase due to the raising of the salt duty from Br. Rs. 1-4-0 to Br. Rs. 2-8-0 per maund is about Rs. 4¾ lakhs. Under Excise, our estimate was Rs. 41¼ lakhs. Against this we anticipate a revenue of Rs. 44½ lakhs. Of the increase of Rs. 3¼ lakhs, nearly Rs. 1¼ lakhs is expected from Tobacco, due to increased consumption, and nearly Rs. 2 lakhs under Abkari and Opium. The current year's estimate under Abkari and Opium was nearly Rs. 3¼ lakhs below the receipts of 1097. This fall I explained last year as due to the decline in the amounts realised at the abkari auction sales. Since then a good many unsold shops have been taken up and the revenue is expected to be Rs. 2 lakhs in excess of the estimate. Coming to Customs, it will be seen that we expect to realise on the whole the revenue estimated in the budget. There is a fall of Rs. 2 lakhs under Land Customs—Exports; but this is counterbalanced by an increased receipt of nearly Rs. 1½ lakhs under Sea Customs—Exports. The total export duty realised is thus only about Rs. ½ lakh less than the previous year's receipts, but the figures seem to show considerable diversion of the export trade from the land routes to the seaports of the State, chiefly Alleppey. The balance of the fall under Land Customs—Exports is made good by a corresponding increase in import

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duty. There is a large decrease of Rs. 2 lakhs under Forest. Our receipts in 1097 amounted to Rs. 15 lakhs and we estimated this amount as the revenue for 1098. But owing to the competition of Burma teak which has recently been unusually cheap, there has been little demand for our timbers from purchasers in British India, where most of our jungle-wood used to find a ready sale in previous years and this accounts for the estimated fall under this head. The only other item to which reference need be made is Railways. Under this head we anticipated a net income of Rs. 1 lakh after paying the interest on the English loans out of the net earnings. But owing to the facts that the working expenses of the Railway have risen, and the interest charges have also increased on account of an addition of about Rs. 15½ lakhs to the capital outlay mainly on account of purchase of rolling stock, the amount of loss we have to make good to the South Indian Railway Company is Rs. 1½ lakhs. Against this, we have got a receipt of Rs. ½ lakh, being the State's share of the net surplus in the two half years ended 30th September, 1919, and 30th September, 1920. This amount was originally omitted to be credited to us but has since been realised.

Expenditure.

Turning next to expenditure, as I have stated, we budgeted for a total expenditure of Rs. 193¾ lakhs, but according to the latest revision of the estimates we expect to spend only Rs. 189¾ lakhs. One reason for this decrease I have already explained, and that is, the provision in the current year's estimates for salaries and establishment was in excess of actual requirements to the extent of nearly Rs. 2¼ lakhs. A reference to the detailed explanations for the variations given in the Memorandum will show how this accounts for the anticipated savings in most departments. Under Salt there is a reduction of Rs. ½ lakh due to the lapse of the provision made under transport charges of salt. Another sum of over Rs. ½ lakh is saved under the head "His Highness the Maha Raja's Tours outside the State" due to the fact that the expenditure on His Highness' Tour to Cochin is expected to be only Rs. 45,000. A large decrease of over Rs. 1½ lakhs is anticipated under Education. This is almost entirely under Salaries and Establishment, due to the average pay of the time-scale posts provided in the budget being much in excess of the required amount. Under P. W. D. including Protective Irrigation, the expenditure is expected to be Rs. 25 lakhs against a budget grant of nearly Rs. 26 lakhs. The saving is mainly due to the fact that only a sum of Rs. 20,000 is expected to be spent in the construction of a palace at Delhi as against the budget provision of Rs. 1 lakh. The only item which shows any substantial increase in expenditure is Stationery and Printing. The provision of Rs. 3 lakhs under cost of stationery made in the current year's budget was to pay off fully for the stationery supplies received up to the close of 1097. It was explained last year that the cost of supplies received in 1098 would be paid only in 1099. This amounts to about Rs. 1,60,000. As we have a substantial surplus this year, Government have decided not to postpone the payment

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for the current year's supply to the next year. With this additional payment, we shall be practically quite current in our accounts with the Stationery contractor.

BUDGET ESTIMATES OF 1099.

7. I now turn to the estimates for the coming year. The revenue for the next year is estimated at Rs. 200¾ lakhs and the expenditure at Rs. 198¾ lakhs, leaving a surplus of Rs. 2 lakhs. Salt Duty is estimated at the present rates only till the close of February 1924 as it is not certain that the enhanced rate of duty will continue thereafter. The expected revenue of Rs. 200¾ lakhs includes a sum of Rs 7 lakhs on this account. The normal revenue may therefore be put down at Rs. 193¾ lakhs. The estimated expenditure of Rs. 198¾ lakhs includes Rs. 3¾ lakhs on account of the *Murajapam*, Rs. 1 lakh for the construction of a palace at Delhi and Rs. 2¾ lakhs for leave allowances. The first two are not normal items of expenditure, being special to the coming year. As regards the last, the provision is made at the rate of 5 per cent. of the pay in ordinary departments and 2½ per cent. of the pay in departments in which regular vacations are allowed. Past experience, however, shows that the reserve provision will not be required in most of the departments and I expect that at least 50 per cent. of it will lapse. The percentages of 5 and 2½ have been adopted tentatively, and if, as I expect, a considerable portion of the provision lapses, the rates will be revised next year. I may also mention that the estimates of 1099 include provision to the extent of about Rs. 2¼ lakhs on account of various schemes which do not involve any recurring expenditure. The aggregate of these special items amounts to Rs. 8 lakhs, *viz.*—

Murajapam	...	Rs. 3¾ lakhs.
Excess provision for leave allowances	...	Rs. 1 lakh.
Construction of Delhi Palace	...	Rs. 1 lakh.
New schemes not involving recurring expenditure		Rs. 2¼ lakhs.
		Rs. 8 lakhs.

Excluding these, the normal expenditure for the next year will be only Rs. 190¾ lakhs, against which the estimate of normal revenue is Rs. 193¾ lakhs, thus leaving a surplus of Rs. 3 lakhs. This also indicates the soundness of our financial position.

Revenue.

Coming to details, the heads under which a substantial increase in revenue over the receipts of the current year is expected are Land Revenue (Rs. 1 lakh) and Salt (Rs. 1¼ lakhs). The increase under Land

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Revenue is expected to be realised from the sale of Government lands. A large area of land has been surveyed and is now available for registry, and a large number of swamps inside forest reserves fit for paddy cultivation are also expected to be released for registration as the result of the investigation conducted by the mixed committees recently appointed; and if, as we expect, economic conditions improve, there is bound to be a large demand for *puduval* lands and the expected revenue could be easily made up. I have already referred to the increase under salt revenue. The improvement under duty on salt is Rs. 2¼ lakhs, due to the fact that duty at the increased rate will be recovered for 6½ months in 1099 as against 5½ months this year. Against this increase, a fall of Rs. 1 lakh is estimated under the head "Recoveries on account of charges incurred in the sale of salt", since, under the contract for the supply and sale of salt at Alleppey, Government do not incur transport charges on account of salt sold at that depôt and the recoveries of such charges are to that extent reduced. Before leaving this part of the subject, I would draw the attention of the members to our estimates under the heads Forest and Railways. As I have already stated, the revenue from Forests in the current year is expected to be Rs. 2 lakhs less than the estimate, owing to a serious fall in the demand for our timber. For 1099, although we may possibly expect a moderate recovery in the timber market, yet, to be on the safe side, we are not estimating anything more than the anticipated receipts of the current year. As regards Railways, it may be stated that the extension of the railway line to Trivandrum was attended by a surplus income from this source; but this has shown a gradual fall from Rs. 1¾ lakhs in 1094 to Rs. 1½ lakhs in 1095 and Rs. 1 lakh in 1096. In 1097 we incurred a loss of Rs. 1½ lakhs, and a loss of Rs. 1 lakh is expected this year. This adverse result is due, firstly, to a large increase in the amount of interest payable on the debentures raised in England for the construction of the railway, the debentures when they fell due having had to be renewed at the high rates of interest prevailing in the London money market at the time. Secondly, the working expenses of the railway have very largely increased in the last few years, due to increased expenditure on establishment, increased cost of fuel and larger expenditure on renewals and replacements. For the next year an appreciable reduction in interest charges may be anticipated as the major portion of the debentures, *viz.*, £ 2,87,000 out of £ 3,65,000, now bearing 6 per cent. interest, will fall due for renewal or payment on the 15th August next; and as the prevailing London rate of interest is considerably lower than 6 per cent. it may be expected that the bonds when renewed will not bear a higher rate of interest than 4½ per cent. which is the rate at which the remaining debentures have been lately renewed. On the other hand there is no reason to anticipate any large improvement in traffic earnings or any material reduction in the working expenses. Accordingly we have estimated a loss of Rs. 1 lakh under this head for the next year.

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Expenditure.

On the expenditure side we have provided Rs. 9 lakhs more than in the current year, and, as already indicated, the main reasons for this increase are the following:—

(i)	Provision for leave allowances	...	Rs. 2¾ lakhs.
(ii)	Do. for Murajapam ceremony	...	Rs. 3¾ ,,
(iii)	Increased allotment under Education	...	Rs. 3¾ ,,
(iv)	Do. under P. W. D. and Irrigation	...	Rs. 2 ,,

Against these increases the provision under two heads alone is substantially reduced, *viz.*, by Rs. 2½ lakhs under Stationery and Rs. ¾ lakh under Sinking Fund. The increase under Education is due generally to the normal expansion of the activities of the department and specially to the full effect of the revision of salaries which was sanctioned generally from 1st Vrischikam last being felt only this year, to the provision made for leave allowances and for appointments of additional teachers in English and Vernacular schools in connection with the opening of higher classes and additional divisions in schools, to the opening of Group II of the Intermediate class and the Natural Science section of the B. A. class in His Highness the Maha Raja's College and of Group I in His Highness the Maha Raja's College for Women, and to the increased allotment of Rs. 85,000 made under grants-in-aid. Of the increase under grants, Rs 35,000 is intended to meet normal increase, while the balance is provided in order to compensate private school managers for the fee concessions that they might grant to the depressed and other educationally backward classes. Of the increase of Rs. 2 lakhs under P. W. D. and Irrigation, Rs. ¾ lakh is the additional provision made in connection with the construction of a palace at Delhi and Rs. ¾ lakh is reserved with the Government and the Chief Engineer for being utilised in the course of the year when new works not included in the P. W. D. budget are sanctioned, and for unforeseen expenditure. As regards the reduction under Stationery, I have already stated that we are spending this year for purchase of stationery nearly Rs. 4¾ lakhs as against a budget provision of Rs. 3 lakhs. For the next year we provide only Rs. 2 lakhs which represents the amount expected to be spent for the purchase of stationery in 1099. We have made a reduction of Rs. ¾ lakh in the allotment under Sinking Fund. Members might perhaps view this with some misgiving. But the reduction is quite warranted as I shall explain. Our original liability on account of the Shencottah-Quilon Railway amounted to Br. Rs. 118 lakhs. With a view to discharge the liability in 1945 when the contract would fall due, a sum of Rs. 2 lakhs was being set apart annually commencing from the year 1088 which was to accumulate at 3½ per cent. compound interest per annum. The liability has since increased to about Rs. 133½ lakhs mainly on account

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of purchase of new rolling stock. The Sinking Fund balance now amounts to Rs. 29¼ lakhs and almost the whole of this amount is invested in Government of India securities as follows:—

Rs. 5 lakhs in the 6 per cent. loan of 1931.
Rs. 16 lakhs „ 5 per cent. „ 1945-55.
Rs. 8 lakhs „ 5 per cent. „ 1929-47.

It is proposed that the above investments when they fall due, and all future amounts to be set apart for this purpose, as also the interest on the above and all subsequent investments, should be invested in securities yielding not less than 5 per cent. interest per annum, and that, if in any case the investments will not yield 5 per cent. interest, the balance should be made good by the Government. Calculated on this basis, it has been found that, by setting apart a sum of Rs. 1¼ lakhs annually for this Fund, we would be making ample provision for the repayment of Rs. 133½ lakhs in 1945. If the liability be added to later on, further provision will, of course, have to be made under Sinking Fund.

Capital expenditure not charged to Revenue.

10. In the budget of the current year we provided Rs. 1 lakh in connection with certain additional works to be carried out on the Quilon-Trivandrum Railway. The actual expenditure is, however, estimated to be only Rs. 62,000. For 1099 the Railway Company has asked for Rs. 48,900 and this has been provided.

Cash Balance.

11. Lastly, I would refer to our cash position. The opening balance of the current year was estimated at Rs. 44¾ lakhs and the closing balance at Rs. 42½ lakhs. The actual opening balance was a few thousands more than the estimate. The ordinary and capital account transactions of the year are expected to result in a surplus of Rs. 6½ lakhs. During the year we advanced Rs. 3 lakhs on account of our share in carrying out the experimental works connected with the Cochin Harbour Scheme and we also invested Rs. 15 lakhs out of the Government surplus and the Sinking Fund balances. The net result of the other debt head transactions is an addition to cash of Rs. 7¼ lakhs. Thus the closing cash balance of the year is expected to amount to Rs. 40½ lakhs. In 1099 we anticipate a revenue surplus of Rs. 2 lakhs and a net receipt of Rs. 3¾ lakhs under Debt transactions. Deducting Rs. ½ lakh being the probable outlay on capital works not charged to revenue, the closing cash balance of 1099 is expected to be about Rs. 45¾ lakhs.

PRESIDENT: The House will now adjourn and meet again on Thursday morning at 11-30.

The Council adjourned at 12-15 P. M.

S. PARAMESAVARA AIYAR,
Secretary to the Legislative Council.

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